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TRADE AND DEVELOPMENT BOARD
Standing Committee on Commodities
Ad Hoc Group of Experts on Risk
Management in Commodity Trade
Geneva, 26 October 1994
Item 2 of the provisional agenda

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

Provisional agenda and annotations to the provisional agenda

I. PROVISIONAL AGENDA

1. Election of officers

2. Adoption of the agenda and organization of work

3. National institution building to facilitate access to risk management markets for small producers and traders particularly from developing countries and countries in transition: issues involved and possible ways to overcome them

4. Counterpart and sovereign risk obstacles to improved access to risk management markets: issues involved, problems and possible solutions

5. Other business

6. Adoption of the report of the Ad Hoc Group of Experts to the Standing Committee on Commodities.

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1: Election of officers

The Ad Hoc Group will need to elect a Chairman and a Vice-Chairman. It is suggested that these two officers should come from different geographic regions and that they should be selected from among the governmental experts participating in the meeting.

Item 2: Adoption of the agenda and organization of work

The provisional agenda in section I above was approved by the consultations of the Secretary-General on 16 June 1994. As provided for in the UNCTAD calendar of meetings, the Ad Hoc Group of Experts will have available three working days from 26 to 28 October 1994. Throughout the session, interpretation facilities will be available for one meeting in the morning (10 a.m. to 1 p.m.) and one meeting in the afternoon (3 p.m. to 6 p.m.). At the first meeting on 26 October, an opening statement will be made by the Secretary-General of UNCTAD or his representative. The rest of the session will be devoted to items 3 to 6 of the provisional agenda.

Item 3: National institution building to facilitate access to risk management markets for small producers and traders particularly from developing countries and countries in transition: issues involved and possible ways to overcome them

With a view to providing background information on the need for and possible modalities of national institution building to facilitate access to risk management instruments, the UNCTAD secretariat has prepared a report entitled "Risk distribution after liberalization of commodity marketing and problems of access to risk management markets for developing country entities - illustrated by the example of coffee in Africa" (TB/B/CN.1/GE.1/2). This report discusses the price risks faced by small agricultural producers, local private exporters and national governments in a liberalized marketing system and the possible ways of organizing access to risk management instruments for these groups. It attempts to illustrate ways and means of avoiding the social impacts of allowing international price instability to fall mainly on small producers and suggests, for consideration by the experts, actions which could be taken to alleviate this situation.

Item 4: Counterpart and sovereign risk obstacles to improved access to risk management markets: issues involved, problems and possible solutions

For the consideration of this item, the secretariat has prepared a report (TB/B/CN.1/GE.1/3) which discusses the credit risks faced by those offering commodity price risk management instruments when the use involves an element of credit, including the risks associated with the possibility of default by the user (counterpart risk) and the possibility of default related to the country where the user is domiciled (sovereign risk). These two risks in particular restrict the access of many companies, especially those in developing countries and economies in transition, to risk management markets. The report also examines various ways of overcoming or reducing credit risk problems and of increasing the offer of various risk management instruments to commodity-related entities (both producing and trading firms) and it offers for consideration some suggestions on actions at the national and international levels which could help

alleviate problems in this area.

Item 5: Other business

Item 6: Adoption of the report of the Ad Hoc Group of Experts to the Standing Committee on Commodities

It is suggested that the Chairman be authorized to prepare a brief report on the proceedings of the Ad Hoc Group, including any agreed conclusions or recommendations that the experts may wish to bring to the attention of governments, and to present this report to the Standing Committee on Commodities at its third session for information and possible action.